

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 2956

March 5, 2012

SUMMARY OF BILL: Authorizes municipalities in a county in which the county local education agency (LEA) and another LEA have consolidated by transfer of administration to the county school system or any other lawful method, to create a new municipal school system so long as the municipality is not operating an LEA at the time of the consolidation. Municipalities creating such school systems may do so regardless of the requirements of Tenn. Code Ann. § 49-2-501(b)(1). Prohibits the creation of new municipal LEAs in such counties until more than five years have passed since the first day of school of the consolidated LEA. This part shall not apply in any county having a metropolitan form of government.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – Any municipality choosing to form a new municipal school district will become a local education agency (LEA) independent from the county LEA; will receive money from the state through the Basic Education Program (BEP); and will have a new local BEP maintenance of effort (MOE) requirement. BEP funding will shift from the consolidated LEA to the new municipal LEA. The shift in BEP funding from the consolidated LEA to the new municipal LEA is unknown but is estimated to exceed \$2,000,000. The exact amount of the new local MOE is unknown and will depend on the number of students in the new LEA and the fiscal capacity of the new school district. Any increase in permissive local expenditures to fund the new school district's portion of the BEP local match is estimated to exceed \$2,000,000. The MOE for the county LEA will be reduced according to the number of students who leave the county LEA. The total increase in permissive local funding will likely be higher than the new MOE; however, this amount cannot be reasonably quantified or estimated.

Assumptions:

- No change in the BEP formula.
- Currently, this will apply to municipalities within Shelby County.
- The BEP currently funds each student at a rate of \$6,037 (\$3,944 state and \$2,093 local match).
- In future years the BEP will fund students at a higher per pupil rate.
- At least 500 students will be in the new municipal school district (based on the ADM from several current municipal school districts).

- BEP funding will shift from the consolidated LEA to the newly created municipal LEA in an amount exceeding \$1,972,000 (500 x \$3,944) and likely exceeding \$2,000,000.
- The increase in permissive local expenditures will exceed \$1,046,500 (500 x \$2,093). The BEP local match does not include expenditures above and beyond the local match. A majority of school systems in Tennessee are currently funding their systems with local dollars that are well above the BEP required local match. Any increase in permissive local expenditures above and beyond the required MOE cannot be reasonably quantified.
- Debt obligations, if any, will be transferred to the new city school system if the new system takes over existing county LEA school buildings or facilities. The amount of this debt transfer cannot be reasonably quantified.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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